



Douglas County Internal Audit

June 20, 2014

Douglas County Board of Commissioners
1819 Farnam Street, Suite LC2
Omaha, NE 68183

Attention: Mary Ann Borgeson, Mike Boyle, Clare Duda, Marc Kraft, PJ Morgan,
Chris Rodgers and Pam Tusa

Eric Carlson, Douglas County Purchasing Agent
1819 Farnam St.
Omaha, NE 68183

Dear Commissioners and Mr. Carlson:

I have completed an audit of Douglas County controls that were in place to conduct year-end physical inventories. The purpose of the audit was to assess the adequacy and effectiveness of the control processes used to conduct physical inventories at the county Garage and Warehouse. The audit revealed that, overall, controls were adequately designed and worked effectively. Details related to the testing appear below.

Background

As part of the fiscal year audit plan, Douglas County Internal Audit performs internal control testing for the Douglas County external audit firm, Hayes and Associates, LLC. The external auditor uses the test data provided by Internal Audit to formulate a professional opinion about the County's year-end financial statements. Below are the details related to tests of the controls in place for conducting the year-end physical inventories at the County Warehouse and Garage.

Objectives

The objectives of the audit were to determine that controls were in place to ensure

- The completeness and accuracy of inventory records
- Accurate treatment of inventory movement during the physical count
- Slow or obsolete items are properly identified and priced at net realizable value

Scope and Methodology

The audit included a review of the written procedures used to conduct the inventory as well as observation of the completion of the counts at the County Garage and the Warehouse. The audit at the Garage was conducted 6/12/2014 and the Warehouse 6/13/2014. The inventory observation included steps to ensure:

- Proper segregation of duties were maintained by the count teams
- Complete counting of all items and locations
- Proper treatment of any receipts or issuances of stock
- Proper identification and treatment of slow-moving or obsolete inventory

Additionally, seventy judgmentally selected inventory items (forty from the warehouse and thirty from the garage) were test-counted. The test-counts were traced to the adjusted inventory reports. The adjustment made for the Warehouse items was traced to the general ledger entry. The Garage adjustment is made at year-end. The net adjustment to inventory totaled (\$640). This amount consisted of a (\$670) for the Warehouse and \$30 for the Garage. The total inventory amounts after adjustments were \$375,472 for the Warehouse and \$242,979 for the Garage.

Findings

There were no issues identified.

Audit Standards

Internal Audit conducted this audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. Those standards require that the audit is planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Internal Audit believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the audit objectives.

Internal Audit has reviewed this information with the Douglas County Purchasing Agent. Internal Audit appreciates the excellent cooperation provided by management and staff. If you have any questions or wish to discuss the information presented in this report, please contact Mike Dwornicki at (402) 444-4327.

Sincerely,

Mike Dwornicki
Internal Audit Director

cc: Paul Tomoser
Joni Davis
Trent Demulling
Donald Stephens
Patrick Bloomingdale
Joe Lorenz
Diane Carlson
Thomas Cavanaugh
Kathleen Hall
Jerry Prazan
Mark Rhine